Making sense of strategic management:
towards a constructive guide

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Top managers need to consider their decisions in relation to the context, content and process of organizational strategy

Introduction

This article presents a recently developed conceptual model of strategy in organizations. The following discussion aims to examine three major levels at which top managers are required to operate, and organize related concepts under a new paradigmatic umbrella which portrays strategy as an iterative, complex process with some simple central components. Top managers need to be aware of *why* they make the decisions that they do in relation to the organizational context, and in terms of strategy formulation and implementation, they need to have a detailed knowledge of *what* goes into the decision (the content of strategy) and *how* that decision is made and carried out (the process of strategy). The idea of identifying and distinguishing between why, what and how is certainly not new. Most notably, Pettigrew[1] has suggested that organizational strategy be examined by dividing strategic aspects into the categories of context, content and process. This discussion outlines and explains a conceptual model which attempts to integrate and make sense of the theory of strategy in a way which can be used relatively easily by practitioners in the field of strategic management.

Top management requirements – contradictions and inconsistencies

The very nature of the top management and/or strategic position is accompanied by inevitable, intense and sometimes unbearable exposure to attack from various quarters of the internal and external environment. Charged with the task of effective strategy, individuals and teams are often overwhelmed by the need to be all things to all men. Formulating strategy is not the same as implementing it and often requires a very different set of skills, yet strategists are ultimately responsible for both.

Although some classic leadership theories maintain that task- and people-centred approaches can be achieved simultaneously, there is evidence to suggest that the former may lead to a compromise in the latter and vice versa. Strategists, in order to succeed, are expected to provide inputs and produce outcomes, to be tough-minded but flexible, to have tight controls on some areas of the business and loose controls in others, to have an inspiring broad vision along with meticulous attention to detail, to have a linear sense of rationality but to thrive on chaos. The literature relating to effective strategy is full of contradictions. This of course is not surprising, given the nature of the subject. What is surprising, however, is the fact that relatively few attempts have been made to make sense of the contradictions, to integrate opposing sets of evidence and to link various levels of strategic analysis. There continues to be a considerable gap between the disparate knowledge accumulated regarding strategy, and managers' ability to use this knowledge. Strategic theorists have typically occupied themselves with championing a particular perspective or set of assumptions without adequately addressing the need for applicability and for utility in the business environment.

Theory versus practice – bridging the gap

There are theorists in the field of strategy who have outlined the need for an approach which is more practical, more applicable and more readily accessed by practitioners. Kiechel criticized strategic planners who, he claimed, spent time in the development of unrealistic strategies "at the expense of common-sense management"[2, p. 8]. Braddick recognizes that strategists and top managers exist and operate in extremely complex contexts leading "very fragmented lives"[3, p. 55] and that most executive development programmes tend not to recognize that this is the case. Argyris[4] shows us that organizations often behave in ways which sustain incompetence rather than eliminate

it, and that much of the theory on strategy has failed to help practitioners identify the reasons why this occurs. Whatever the recent developments in the literature which promote the idea that complexity, above all, is what most strategists need to assimilate and conquer, there appears to be a considerable and somewhat unnecessary lag between some of the important theoretical developments and the practical implementation of successful strategy. If strategy is the study of organizational problems from the perspective of the general manager, as several writers suggest that it is[5,6], then it would seem that more efforts need to be made in order that theoretical perspectives be put to practical use. Bridging the gap between theory and practice must involve, and has failed yet to involve, the development of an acceptable paradigm useful to practitioners and theorists alike.

However, complexity and diversity which form the essence of strategy are not easy to overcome in the attempt to throw light on how to create a common understanding of strategy. Strategy involves so many dimensions that the solutions and clarification of one dimension are the problems and complexities of another. The following model attempts to uncover some of the ways in which this can be recognized and mastered and implies important guidelines which this author suggests can be adopted by anyone interested in the improvement of the formulation and implementation of strategic decisions.

Representing strategy as a solid cone may look like just another gimmick. This conceptualization can only be seen to be important as long as its key elements are recognized and as long as it is used as a flexible guide to action based on a realistic picture of the constraints faced by strategists rather than a rigid set of rules and prescriptions. The model is three-dimensional and represents three central aspects of strategy (context, content and process). It incorporates a dynamic, multi-directional approach. The following implications draw from this conceptualization in order to facilitate the daunting task of strategy analysis and improvement. Some of the ideas incorporated in the model and outlined below are already well established – it is important for these ideas to be placed in a stronger more integrated framework, which is what this new model attempts to do.

"Conical" thinking

Conceptualizing strategy using the conical symbol (see Figure 1) is an attempt to draw from the advantages of several views of strategy. First, there are many benefits to be gained from the idea that strategic development is at least somewhat linear and logical and that strategic activity is pointed in a definite direction. The model incorporates the idea that any strategy will at least aspire to achieving a particular set of outcomes. Second, it must also be recognized that the path towards these outcomes is rarely simple, and that both content and process issues will intervene to delay, to change, to damage or to enhance the achievement of a particular set of strategic goals. While there is a potentially infinite set of dynamics associated with the development strategy, the above

Figure 1. *Strategic formulation and implementation: interdependent variables*
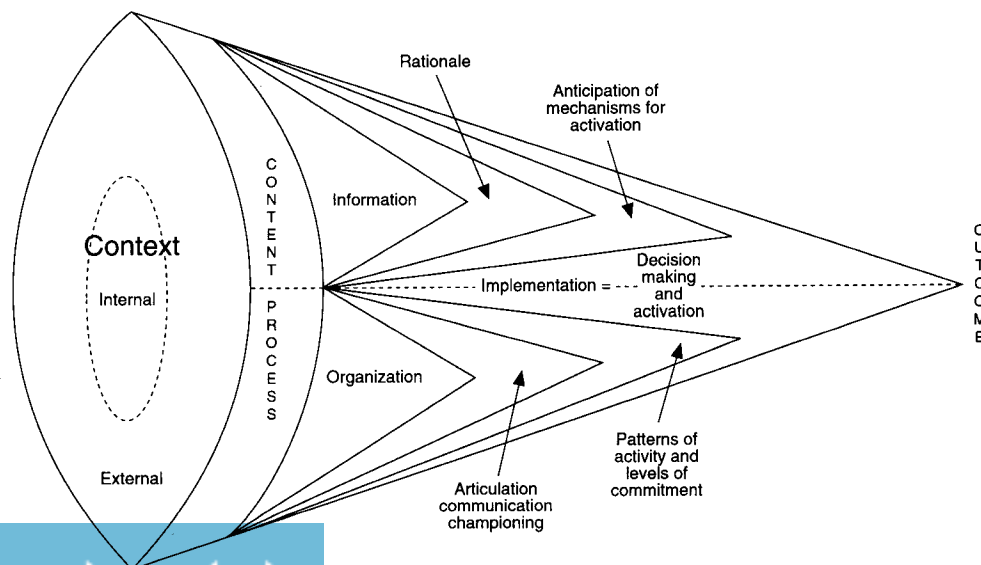
model isolates the major elements which need to be recognized in an attempt to make sense of strategic activity in any organization. Third, conceptualizing context as the base of the strategy cone facilitates the view that context (both internal and external)[7] is the dimension of strategy on which all other elements of strategic activity are built or at least by which their successes and failures can be evaluated. Fourth, the model presented promotes the idea that the content and process of strategy exist concurrently. The content of strategy involves the information gathered (initially from the organization's context), the rationale inherent within the strategy, and some anticipation as to how the content will be put into action. The process of strategy involves organizing the information, articulating and communicating (and if necessary championing) the constructed rationale, and activating the anticipated plan, idea or concept. The model presented is an attempt to illustrate that every aspect of strategy content has a corresponding process issue and that the development of strategy must be equally concerned with both dimensions. Fifth, while there is a recognition that strategy generally has at least some deliberate, explicit and sequenced activities, a more realistic view of strategy is that of a dynamic, zig-zagging concept where central elements are interconnected and where there is a facility for manoeuvring back and forth from one aspect to another. Again, Figure 1 is a way of representing this view. Strategists can return to organizing information about their context again and again, especially when the nature and pressures associated with that context are constantly changing. However, most strategies encounter significant, if not serious difficulties in the implementation of a strategic plan[8], which suggests that, when difficulties do arise, strategists are not prepared to go back to the drawing-board, even for a short while. Figure 1 can be used as a general guide and analytical tool for making sense of strategic activity within an organization. Its structure and associated concepts have several implications for managers.

Revisit the basics
Spend time re-examining the "why" the "what" and the "how" of your business. Make sure that every aspect of the mission, or *raison d'être*, of your organization has a corresponding set of whats and hows. If you agree that one of the major reasons for being is to serve the customer for example, tie this down by linking the content of your activities – (what do we do to serve the customer and what should we be doing?) Also look at how you are achieving this aspect of your mission and how perhaps you should be doing it. Brainstorming about why you exist is only a worthwhile effort if there are strong links between what you agree and how that shared vision is operationalized in terms of content and process.

Recognize the difference between the internal and external contexts within which you operate
This is by no means a new idea. The open systems approach to organizations recognizes that there is an identifiable, if semi-permeable, membrane between the organization and its environment. Managing this border is vitally important. The line between what (and who) exists inside the organization and what (and who) exists outside it should be monitored carefully, especially at times when that line is changing (during mergers, takeovers, vertical/horizontal integration, externalization/contracting out periphery work and so on). If the external context is changing rapidly, then the internal context needs to respond accordingly. It is vital to view the internal context of the organization as being embedded in its external environment. If there is a bad fit, strategic problems are almost inevitable. The context of an organization (both internal and external) refers generally to the environment from which it has emerged and in which it exists and can reasonably be seen as the fundamental base from which the successes and failure of strategy can be understood. Chakravarthy[9] suggests that the lack of fit between a strategic plan and its internal and external contexts is not in fact a very strong influencer of how a plan is rated by managers and that as a result strategic plans tend not to be subjected to corrective action. This would suggest that, while strategic plans may originally be drafted with at least some reference to context, the process of reviewing or assessing the plan may not include any real challenging of the original contextual assumptions on which the plan was based. This leads nicely on to the next guideline implied by the above model.

Check the information on which you base your decisions
Cognitive theorists suggest that we filter out a lot of information that may be useful if not vital in the development of strategy. The ways in which we do this can depend on an enormous variety of individual and contextual differences. These include cognitive structures or "ways of looking at the world"; professional backgrounds which may cause us to attach different weights to different strategic issues; cognitive complexity which determines our relative tolerance for ambiguity; perceived vulnerability within the system which causes us to negotiate in order to sustain or increase our personal levels of power and so on. It is often impossible to change the ways in which we cope with large volumes of potentially important information. However, one way of checking this is to look at other people's evaluation of identical information to see how it differs from your own. This involves developing communication channels between key individuals inside and outside the organization as well as challenging your own assumptions about to whom you think it is important to talk.

Examine the ways in which you have organized the information that you are using

This is a process issue. The information that you select as being important is also collated and organized in a particular way. This has as much to do with your personal style and priorities as it does with the way in which your organization is structured or your management information systems are set up. It is great to know that you are using the right information when developing strategy. However, even the information that you do have may not be organized in such a way as to facilitate easy access by the right people. Drawing a personal map of the information you have, its relative importance to you and the ways in which you have organized this information in your own head (as well as in the way it has been presented to others) is a useful self-awareness exercise. For more information about mapping personal information systems see[10,11].

Be realistic about your own rationale and the rationale of other strategists within the organization

Strategic decisions are by their nature ill structured, complex and yet very important for the success and survival of your organization[12]. Some decisions seem perfectly rational in the eyes of one person or group while devastatingly irrational in the eyes of others. This is a common problem. One thing that can rarely be assumed in the development and implementation of strategy is that all activities and plans are designed to satisfy goals which are beneficial to the organization in general. The distribution of power will often affect the outcomes of decisions in that this is what may influence the self-interest of those who occupy powerful positions. Individual, short-term goals may (and often do) get priority over long-term survival, enhancement or "common good" strategies. People may be asked to act in ways which seem irrational to them based on somebody else's personal agenda and which may ultimately undermine their commitment to the organization or the prevailing strategy. Keeping this in mind, it is, however, rare that individual interests can continue to be sustained at the expense of organizational survival. Organizational members tend to demand a sound rationale for strategic decisions more and more and, unless that rationale is seen to be at least somewhat objectively acceptable, the commitment required may not exist or be sustained. On the other hand, an excessively unitarist perspective may also be unrealistic. Often, there *are* losers when it comes to strategic change or re-direction. Strategists who do not recognize this are simply delaying the process of change. Recognizing the power distribution and the basis on which strategic rationale is based can only serve to help strategists proceed on the basis of reality rather than illusion. As Figure 1 suggests, rationale is based on the ways in which strategists gather and organize information.

Communicating about strategy is important -- but it is only one aspect of the strategic process

A given rationale forms part of the *content* of strategic development. The way in which this rationale is communicated, articulated and championed constitutes part of the strategy *process*. Without undermining the relevance of this aspect of strategy process, it is important to emphasize that, according to the model presented, it is not necessarily what makes or breaks the ability to reach an outcome. If a rationale is sound enough, or popular enough in its own right, there may be no need for constant communication and championing and, once the plan has been articulated effectively, a sophisticated PR exercise may merely represent added and unnecessary cost to the organization. In situations where championing and ongoing communication about a strategy is needed, the current knowledge about effective communication (covered capably in most popular texts on the subject) will, of course, still apply.

Strategy formulation and strategy implementation cannot be separated

Rational, linear approaches to strategy assume that formulation is the first step, and that implementation follows. Among the first theorists to challenge this assumption were Majone and Wildavsky[13] who proposed that, in reality, strategy is more evolutionary and iterative and not as was previously suggested made up of separate, distinguishable steps. This author suggests also that formulation, rather than being seen as something which precedes implementation, should be seen as part of implementation. For the purposes of clarifying the relationships between the concepts of content, process, formulation and implementation, the matrix shown in Table I is proposed.

The "what" and the "how" of strategy is not as easily separated as people may assume. Generally, strategy content tends to be assumed to be the same as formulation and process is seen as being the same as implementation. The matrix in Table I demonstrates that the relationship between the four concepts is somewhat more complex and cannot be readily divided, even for the purposes of analysis.

Table I.

	Formulation	Implementation
Content	Decision inputs	Decision outcomes
Process decision	Methods of decision transmission	Methods of decision activation

Constantly monitor the patterns of activity and levels of commitment relating to the strategy

Encouraging activity and commitment which support a particular strategy tends to be a given premiss. Monitoring this activity and commitment may be even more important so that strategists can be sensitive to the times where patterns change and commitment levels increase or decrease. Watching and monitoring the behavioural support of a strategy can provide excellent clues as to the potential flaws in the original plan and helps strategists to revisit the drawing-board armed with new and important information. While commitment may be high at the early stages of the development, a "point in time" picture of activity and commitment will not reveal the ongoing changes that are likely to occur.

Conclusions

Strategic activity tends to be characterized by high levels of complexity, putting enormous cognitive demands on strategy makers. Tools need to be developed which help strategy progress to be monitored, more easily analysed and quickly understood. The above discussion is an attempt to propose a multi-dimensional perspective on strategy, which, while recognizing complexity, draws attention to some central elements found to have an impact on strategic effectiveness. The main elements to consider are organizational context (both internal and external), strategy content (including information, the construction of a rationale and the anticipation of mechanisms for activation) and strategy process (including the ways in which information is organized, the ways in which rationales are communicated and the patterns of activity and levels of commitment produced throughout). Finally, the process of iteration or returning to earlier stages in the development of a strategy is a significant element of good strategic management. Building into our mindsets the capacity to retrace strategic steps, to re-examine, to re-evaluate and to rethink, may constitute one of the most important and fundamental keys to strategic success.

Note and references

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7. The context of organizations can be divided into two categories: internal context and external context. Internal context includes the organization's structure, culture, distribution of power, skills base, internal resources and so on. External context includes the wider elements of an organization's environment such as the economic, legal, environmental and social context within which the organization operates.
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Application questions

(1) How closely related is the "what" and the "how" of strategy in your experience?

(2) Who decides strategy in your organization? Who should decide? What should the decision process be ideally?